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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, DECEMBER 16, 1998

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

Ex Parte: Investigation of Aubon Water Company CASE NO. PUE980628

ORDER OF SETTLEMENT

On November 3, 1998, the Staff of the State Corporation Commission filed its Motion For Order Compelling Aubon Water Company To Make Improvements Or Changes In Water Service PURSUANT TO § 56-265.13:6 ("Motion"). The Staff's Motion relied upon inspections by the Virginia Department of Health, Office of Water Programs ("VDH-OWP") of the Defendant Aubon Water Company's ("Aubon's") water system and the written complaints of Aubon's water customers, served in Long Island Estates, located on Smith Mountain Lake in Franklin County, Virginia.¹

Aubon, by its President, Mr. G. Ray Boone agreed with VDH-OWP to install iron and manganese removal treatment facilities in its Long Island Estates water system. Mr. Boone provided VDH-OWP with a preliminary cost estimate of fifty thousand dollars (\$50,000) to sixty thousand dollars (\$60,000) for said

¹ VDH-OWP inspection reports and correspondence with Aubon and the customer complaints are appended to Staff's Motion.

treatment facilities (Exhibit "B" to Staff's Motion, letter dated August 19, 1998).

On November 6, 1998, Aubon, by its President, Mr. G. Ray Boone, filed with this Commission its NOTICE OF RATE INCREASE OF SERVICE OF AUBON WATER COMPANY which states, in part:

The attached Notice of Rate Increase reflects our current level of expenses and an investment of sixty thousand dollars (\$60,000) to treat the water at our Long Island location. Additional wages and supplies will be required to operate this new facility.

Please note that our last rate increase went into effect in 1983. Aubon Water Company will change its tariffs on file with the State Corporation Commission effective for service rendered on and after January 16, 1999.

On December 4, 1998, Mr. Boone, on behalf of Aubon, executed the attached ADMISSION AND CONSENT, which fully and completely admits each and every allegation contained in Staff's Motion. As an offer to settle all matters arising from the allegations, the Defendant Aubon and its owner and President, Mr. Boone, will undertake the following remedial actions:

(1) Aubon will bring its waterworks serving the subdivision known as Long Island Estates into compliance with applicable Virginia Department of Health Regulations and will continuously operate said waterworks in full compliance thereafter.

(2) Aubon will treat the water provided to Long Island Estates using a manganese greensand or equivalent filtration system for the removal of iron and manganese.

(3) Aubon will provide for disinfection of the waterworks serving Long Island Estates using continuous chlorination.

(4) Aubon will comply with the following timetable and take the following actions to install and operate the above-described treatment facilities for its waterworks serving the Long Island Estates:

(a) Submit a Preliminary Engineering Report and cost estimate for the installation and operation of the agreed treatment facilities to this Commission's Divisions of Energy Regulation and Public Utility Accounting and VDH-OWP within forty-five (45) days following the date of this Order of Settlement.

(b) Submit to the Divisions of Energy Regulation and Public Utility Accounting and VDH-OWP within forty-five (45) days following the date of this Order of Settlement, a comprehensive business plan detailing the technical managerial and financial commitments to be made by Aubon, as provided for by § 32.1-173 B of the Code of Virginia for existing waterworks that have demonstrated significant noncompliance with the waterworks regulations.

(c) Submit to the Divisions of Energy Regulation and Public Utility Accounting and VDH-OWP within one hundred and twenty (120) days following the date of this Order of Settlement a set of Final Plans and Specifications and project cost estimates for the installation and operation of the agreed treatment facilities. The Final Plans and Specifications must be prepared by a professional engineer, licensed by the State of Virginia. Aubon shall also submit to the Division of Energy copies of all applications for permits required by VDH-OWP and all other necessary regulatory agencies.

(d) Submit to the Divisions of Energy Regulation and Public Utility Accounting and VDH-OWP within one hundred and twenty (120) days from the date of this Order of Settlement Aubon's written estimate of operation and maintenance expenses associated with the agreed treatment facilities, including the contracted expense for a licensed water operator. All written contracts for such licensed water operator shall also be submitted.

(e) Aubon will complete construction and installation of the agreed treatment facilities within one hundred and eighty (180) days from the date of this Order of Settlement. At that time, all regulatory permits required for the agreed treatment facilities shall be

submitted to the Divisions of Energy Regulation and Public Utility Accounting and said treatment facilities shall be fully operational.

The Commission, having been fully advised in the premises and finding sufficient basis herein for the entry of this Order, and in reliance on Aubon's representations and undertakings set forth above, is of the opinion and finds that the offer of compromise and settlement should be accepted. Accordingly,

IT IS ORDERED:

(1) That pursuant to the authority granted the Commission by Virginia Code § 12.1-15, the offer of compromise and settlement made by Aubon Water Company be, and it is hereby, accepted;

(2) That Aubon Water Company shall timely comply with the remedial actions outlined hereinabove;

(3) That the failure of Aubon Water Company to so comply by taking said remedial actions may result in the initiation of a Rule to Show Cause proceeding against Aubon Water Company for violations of this Order;

(4) That, pursuant to § 12.1-15 of the Virginia Code, the Commission waives assessment of the cost of this investigation; and

(5) That the Commission retains jurisdiction over this matter until further order of this Commission.